



H.R. 253: Two Floods and You Are Out of the Taxpayers' Pocket Act of 2003

This Act reforms the National Flood Insurance Program to provide a disincentive to property owners to live in repetitively flooded areas. Rather than continue to rebuild, the program would provide repeatedly flooded homeowners assistance in either elevating or moving their homes away from flood waters. Those who refuse mitigation assistance would pay the full actuarial costs for choosing to live in a risky area. This bill replaces the "H.R. 1428: Two Floods and You are Out of the Taxpayers' Pocket Act" from the 107th Congress.

WHY DO WE NEED H.R. 253?

The National Flood Insurance Program (NFIP) provides subsidized flood insurance to residents of communities that adopt and enforce floodplain management ordinances. In the past decade, however, many communities have experienced an unprecedented increase in the intensity and frequency of flooding, causing flood damages to total more than \$4 billion annually. Increasing damages have pushed up disaster relief costs and put considerable strain on the NFIP budget, which received a \$1.2 billion bailout from the Federal taxpayers in the early 1980s to cover flood claims from policy holders, raising questions as to the program's ability to pay for itself through insurance premiums. While most of these claims are for legitimate, first-time losses, in an average year, less than one percent of all NFIP insured properties claim 25 percent of all payments. Because the majority of these repetitively flooded properties receive subsidized insurance rates –there is no incentive for individuals and communities to move out of harm's way and away from the path of future flood waters. A few examples:

- In Houston, a home valued at \$114,480 has had 16 losses between 1989 and 1995, totaling \$806,591.
- A property in Canton, Mississippi valued at \$49,300 experienced 25 losses in 18 years totaling \$161,279.

WHAT DOES THE ACT DO?

- **Helps people move out of harm's way:** Although FEMA has a grant assistance program to help communities to move properties out of floodplains, more funding is needed to address the large number of repetitively flooded homes, in order to stop them from draining the NFIP fund. **This Act provides a \$400 million increase in the grant assistance program over five years to be used to relocate or elevate properties that have sustained the most flood damage.** It is estimated that this investment will save almost \$65-70 million annually, paying for itself in 5-6 years after program completion.
- **Ties flood insurance premiums to the risk taken:** Many homes built before 1974 are eligible for subsidized NFIP rates. Unfortunately, it is these older homes that constitute the bulk of the repetitively flooded structures. **If the repetitively flooded policy holders refuse offers of mitigation assistance discussed above, the Act will increase their flood insurance premiums to cover the actual costs of the policy.** In other words, those who choose to live in a risky, flood prone community must take personal responsibility for the risk. "Repetitively Flooded" homes are those that have received two or more NFIP payments that exceed the value of the property or four or more total NFIP payments.
- **Links eligibility for disaster relief to mitigation efforts:** If repetitively flooded policy holders refuse offers of mitigation assistance, they will no longer be eligible for Federal disaster relief assistance to repair, replace or restore their homes after a disaster.

TAKING PERSONAL RESPONSIBILITY

Over the past 25 years approximately \$140 billion in federal tax revenue has been spent preparing for and recovering from natural disasters, with floods accounting for the majority of those expenditures. If homeowners make personal decisions that are risky, they should not expect the federal taxpayer to continue to bail them out. This policy is both humanitarian and fiscally responsible, allowing people to move out of harm's way and protecting the Federal taxpayer by making the NFIP solvent.

For more information on this topic, please contact Janine Benner in the DC office at (202) 225-4811 or call Hillary Barbour in the Portland office at (503) 231-2300, or check out our website at <http://www.house.gov/blumenauer>